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SUBJECT: SUBJECT: GREECE MAKES SIGNIFICANT PROGRESS IN
PRIVATIZATION PLANS

1.(U) Summary: The GoG reaped 80 percent of its 2005 privatization revenue goal with last week's sale of 52 million shares of OPAP, the Greek lottery/gambling company. The OPAP sale is the first in a series of privatizations that the GoG plans to accomplish by 2006. Other companies scheduled to be privatized in 2005 are Olympic Airlines, OTE, ATE Bank, and Emporiki Bank. In 2006, the Postal Savings Bank and Athens International Airport are among the companies the GoG plans to privatize. End Summary.

2.(U) The GoG made significant progress in achieving its 2005 privatization revenue goal of 1.6 billion euros in last week's sale of OPAP, the Greek soccer pool and betting organization. GoG's public offering of 52.45 million shares, worth 1.26 billion euros, reduced the GoG's stake in the company from 51 percent to 34.5 percent. The revenues from the OPAP sale are the most the GoG has ever earned from a single placement of a formally state-owned company.

3.(U) The OPAP sale is part of the GoG's 2005-2006 multi-million euro privatization plan intended to increase competitiveness in the market and help Greece's tough fiscal situation. The most likely firm to be privatized next, and the only one over which the GoG is relinquishing complete control, is Olympic Airlines, Greece's failing state-owned air carrier. The GoG's bidder-of-choice for the airline is Olympic Investors, a U.S.-based investment consortium. In the fall, the GoG also plans to float approximately 10 percent of its current 48 percent holding in OTE, the Greek telecommunications company, on the Athens Stock Exchange. This will be the sixth public offering of OTE, but the GoG will continue to exercise enough minority control to effectively block any management decisions with which it does not agree.

4.(U) By the end of 2005, the GoG also plans to sell 31.36 percent of its 82.36 percent stake in ATE Bank (formerly Agricultural Bank) and its remaining 9.46 percent stake in Emporiki Bank so that it can meet its 2005 1.6 billion euro privatization target. ATE Bank will be sold to institutional investors at an estimated value of 250-300 million euros. The likely buyer of Emporiki Bank is the French Bank Credit Agricole, which already holds an 11 percent stake in the company.

5.(U) Within the first quarter of 2006, the GoG plans to float 20-30 percent of the fully state-owned Postal Savings Bank on the Athens Stock Exchange. The sale is worth approximately 400-800 million euros and issuance procedures are already underway. Also slated for privatization in early 2006 is 25 percent of the GoG's 55 percent stake in Athens International Airport, a sale worth approximately 400 million euros.

6.(U) COMMENT: The success of the OPAP privatization makes it very likely that the GoG will achieve its 2005 privatization revenue target of 1.6 billion euros, one of the key goals under its new EC-imposed austerity program. While the GoG has not been entirely clear on whether it will use the privatization revenue to reduce the deficit or pay down its debt, now in excess of 116 percent of GDP, privatization will provide benefits through increased competitiveness in the market, improved firm efficiency, and increased transparency and accountability. Although privatization alone will not solve Greece's deficit and debt problems, it is an important part of their strategy in meeting their Stability and Growth Pact obligations. END COMMENT.
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